

Scott Lenton
WATERVIEW HEIGHTS NSW

16 April 2008

Submission to ETS Discussion Paper
Garnaut Climate Change Review Secretariat
contactus@garnautreview.org.au
Level 2, 1 Treasury Place
EAST MELBOURNE VIC 3002

Dear Sir

Comment on Emissions Trading Scheme Discussion Paper (March 2008)

The Federal Government should firstly be congratulated for putting climate change firmly on the national agenda and moving forward with actions towards mitigating and adapting to the climate challenge Australia faces both now and into the future. Any measures that the Government can instigate to bring forward positive actions should be fully explored in an effort to ensure we are not too late. A national Emissions Trading Scheme (ETS) is just one such tool in the climate emergency kit.

Australia must be a responsible leader and implement an ETS with strong targets to reduce greenhouse gas production.

The Discussion Paper acknowledges that establishment of an ETS in Australia by 2010 would be ahead of other such schemes in several developed countries. Great! This provides Australia with an opportunity to show that it is a serious and responsible player in the global society and that it is managing for the long term. This proactive initiative should inspire other countries to take on board some kind of ETS actions in their own right. **The tone of the Australian ETS is critical to demonstrate what is expected from other countries and what is necessary to arrest catastrophic climate change impacts.** The issue of target setting is discussed later in this submission.

An ETS in Australia will promote more sustainable business.

At the domestic scale many Australians at both the individual and household level are making changes to their lifestyle in an effort to reduce their carbon footprint. Forward thinking businesses are also taking on this challenge. An ETS will bring all Australian business onto a level playing field and at a higher standard in terms of sustainability – a national and global necessity. Sustainable business embraces balance, consideration for current and future generations and a commitment to minimising its ‘footprint’. Reducing Greenhouse Gas Emissions (GGE), which is at the core of the ETS, is a prime example of an action that business striving for sustainability should commit to. An ETS will ‘force’ that commitment.

The framework and design features for an ETS, as presented in the Discussion Paper, seem logical and well considered.

My thoughts on aspects of ETS design and implementation are:

- **One in all in.** Coverage should apply to all GG, the whole nation, all business operating within the country. Obviously, business operating with a domestic and

offshore footprint creates more complex considerations in this regard. Where will the line be drawn in terms of how an ETS applies to these players? In the absence of an ETS operating within foreign countries in which Australian business (and business operating within Australia) has other interests than those businesses should be captured by the Australian ETS. This will also maximise the opportunity to capture the real impacts, in terms of GGE, from business conducted offshore. Ideally, the concept of an ETS should be global and in the absence of that Australia needs to be a key motivator to assist that outcome.

- **Credit where credits due.** Offset credits must be secured. Only recognising and accounting for offset credits after they have been created seems an appropriate way to ensure credit granted is not lost or expires before it is realised.
- **Application of the ETS to business should be aimed at achieving targets in the least possible time.** Hence, point of obligation should be applied conservatively, ie at the point of the business operations when GGE are at their peak. For companies operating at domestic and offshore scales the GGE associated with manufacture and transport of goods should be accounted for, especially where those GGE will not be accounted for by another country. The impacts of increasing GGE are global and hence, the operation of a national ETS needs to pervade Australian business in both their domestic and global affairs.

Such activity by Australia may well leverage support for other 'laggard' countries to put their shoulders to the wheel. When ETS proposals are active in these offshore countries then the application of the Australian ETS to affected business may be modified while all the time ensuring that the full GGE attributable to business are accounted for whether they occur on land, in the air or across oceans.

- **To price or not to price.** The issue of an ETS raising costs for electricity, or creating a carbon price, is an argument that has been made by some. The Discussion Paper (Box 3-4, p 32) suggests that this may not be case even where permits are issued at a fee. However, if the costs for high-emission consumables did increase then that would not necessarily be a bad thing and would contribute to business and household efforts to reduce consumption or seek low-emission alternatives. I would be interested to see how electricity consumption was reduced when the permits for generators were allocated at no costs in the first two phases of the EU ETS.

A move towards renewable energy is necessary in my view, despite the higher present costs to consumers compared to coal-generated power, to make a substantial contribution to reducing global GGE. High emission sources of power such a coal-generated electricity may be cheaper in the present but has, and will, cost the earth and society a whole lot more in the future. I for one would rather pay more for renewable energy now and know that I'd played my part in leaving the globe in a reasonable condition for future generations. Our household pays an additional premium for 100% accredited green power through *Country Energy*. The whole of society should be paying. **Society will be paying a whole lot more if we don't act now.**

- **Good cop – bad cop.** The concept of an Independent Carbon Bank (maybe even an extension of the Australian Greenhouse Office) to monitor and ensure compliance with an ETS is necessary. The credibility of the Scheme and the

concept of a global ETS depends on success at this national scale. Monitoring shows compliant business the way forward and provides feedback on their efforts. It also assists in the eradication of unsustainable business ventures by making them step up to the mark. Critical in achievement of such outcomes is the preference for penalties to be both a financial penalty and for those businesses to 'make good' their excess emissions. This will encourage business to develop better ways of doing business, discourage the 'business as usual' mindset, and improve the sustainability of their business.

- **Government handouts for the 'disadvantaged'**. To my mind the only compensation all Australians and business needs is for the Government to make a concerted and responsible effort to do something to address greenhouse gas mitigation and to action adaptation against associated global impacts. **The 'business as usual' scenario will ensure the adverse impacts on current and future generations will be even greater than any short term losses in living standards for a few.** This is the argument that needs to be put to those politicians that have a view that is at odds with implementing an ETS for Australia.

Why are we entertaining the idea of compensating domestic and foreign shareholders of highly emissions-intensive businesses? Those 'supporters' of unsustainable business should be 'taxed'. They have won substantial returns from these businesses in the past and I don't see why their dividend should be supplemented by a government bonus. Assistance to established coal-based electricity generators has some merit as long as it is used as an incentive via seed funding for research and employment of low-emissions technology. That is as far as it should go. The Australian community has already lost by such business proliferating and adding to the climate emergency. The same concept applies here as it does to tobacco companies who for years have taken huge profit at the expense of individuals. These companies now fund research into cancer and compensation funds for lung illness sufferers as some kind of 'tax' for impacts generated. **Let the high end GG emitters fund the majority of their reduction programs.** That can be their compensation to society.

The issues around compensation, as presented above, are not too dissimilar for communities disadvantaged by the introduction of an ETS. Whilst I support the concept of some compensation, again as seed funding, for structural adjustment in whole communities affected by the ETS, it needs to be recognised that our society, economy and environment are not homogenous at the local, regional, State, National or international scale. These differences are what 'forces' disadvantaged communities to take action to overcome adversity by seeking out new opportunities. We live in a real world and not an ideal one. **If we don't act now to arrest GGE then we won't need to worry about the world we live in as we will cease to exist in it!** This may be considered a simplistic view but still it provides some context in which to debate the merits of any ETS compensation scheme.

Australia and our government need to be strong and committed to backing sustainable business. We shouldn't be artificially propping up unsustainable business using compensation from the ETS. Positive change needs to be encouraged and impacts to economic bottom lines are sure to be a way to motivate businesses to get their operations to that higher standard I proposed earlier. Who knows, Australia may even retain more highly skilled Australians working on new technologies to aid low-emissions business activity (as 'forced' by the ETS) rather than seeing those skills being lost offshore.

- **When ‘reasonable’ targets are reasonable enough.** GGE reduction targets, and trajectories, should not be based on what adjustment effort developed countries would be prepared to accept themselves. The idea of the Australian government waiting for other developed countries to take a lead on reduction targets before strong action is taken domestically offends me. The sooner responsible and respected countries like Australia take a lead the sooner the ‘laggards’ and ‘followers’ will get pressured to take affirmative action for the greater good. There isn’t time to wait - the science is increasingly confirming this. Furthermore, **targets and how to get there need to be based on what the science is telling us we need to pursue.** For example, the 60% reduction identified in Trajectory D (as presented in the Discussion Paper) is unlikely to be sufficient given the global trends of CO₂ levels maintaining a track consistent with the high end predictions of the Intergovernmental Panel on Climate Change (IPCC). In addition, we have this week learnt how GGE targets for NSW have not been met because of low hydro-electricity production due to low water flows associated with drought.

Targets need to be mindful of the effects of climate change especially if we are relying on weather patterns to produce the conditions for production of renewable energy, such as sufficient rainfall for hydro-power production. It seems the NSW Government has not considered such changes in its ETS targets and has reportedly failed to meet its obligations. The latest CSIRO data and predictions show rainfall patterns in south-east Australia over some decades gone, and as predicted for the future, are resulting in less rainfall (and greater periods of drought) – just no-one seems to have advised the NSW Premier, Mr lemma, of this fact. When the federal government gets it’s chance to establish targets then they must be strong and even contain some ‘fat’ to cover any periods where sufficient offsets are not being created. If these lean periods are experienced and targets are too soft then it is a no win situation. **Strong and smart targets are essential.**

These examples only reinforce the need to make substantive targets and act now, whilst lobbying other countries to at least match and if not improve on targets established by others. **Australia must not succumb to peer pressure from ‘laggard’ countries and opt for a Trajectory that does not meet the needs of the world for future generations.** Current political parties need to be mindful of generations they cannot see, let alone source votes from. Often a difficult perspective when you’re on a 4-year term.

- **The argument that shocks to the market will be reduced by a structured approach to establishing trajectories is recognised but not accepted.** Markets can be surprised by all types of issues and events. As climate change takes effect surprises to the market from ‘mother nature’ and changing weather patterns have potential to be catastrophic. Meanwhile we are debating whether it is better to save a few shock waves to the market in the short term. Hello! Remember what was stated earlier? We live in a real world not an ideal one. If we lived in an ideal one we wouldn’t be having this discussion.

Tough decisions need to be made and they need to be made with the nations and the global long term interests in mind. Leaders are in place to make tough decisions. Their ‘disciples’ might not always like such decisions but they expect them to be made when increasingly the science tells us that they are needed for our survival.

The Discussion Paper recognises the need for other policy objectives and initiatives to mitigate GGE to be pursued concurrently with an ETS. This is essential and the discussion of some such initiatives in Issues Papers from Forums hosted by the Garnaut Review is acknowledged.

Improvements in energy efficiency comprise one of the largest potential components to reducing GGE.

The opportunity to encourage more energy efficient residential development (including renovations and alterations) has been taken on by the NSW Government through regulations such as the State Environmental Planning Policy – Building and Sustainability Index (BASIX for short). I am not aware of the status of such regulatory controls in other States and where they are lacking they must be brought into the 21st century pronto. Indeed, leading State jurisdictions like NSW shouldn't be resting on their laurels but need to also ensure commercial or other non-residential building forms are also designed to meet to current and future energy challenges and reduce emissions embodied in materials and associated with operational demands. The Federal government needs to drive an agenda to get State governments collectively acting for the greater good in building design.

The federal government must promote regulation to require more efficient and sustainable residential and non-residential development in all State and Territory jurisdictions.

The government needs to be more active in promoting energy efficiency measures and appliances and what incentives it offers in order to avoid the “lagged and lumpy” take up of opportunities (as cited in Section 5.3 of the Discussion Paper) in GG abatement via energy efficiency. This is especially important given the significant reductions in GGE that can be achieved from a more energy efficient society.

Next time the government, or indeed the Garnaut Review, gets comment from a climate change sceptic, or a politician raises concern about the economic cost of an ETS simply ask the question – “What will be the cost to future generations if we do nothing now?” No amount of money will fix the problem when the ‘tipping points’ are surpassed. Consideration of these real probabilities is needed to ensure an ETS is established that is progressive and responsible and shows other developed countries an appropriate way forward to contribute to a better future for all.

Yours faithfully

Scott Lenton
Dip Urb Reg Plan
B App Sc (Coastal Management)